

Executive

Collective Energy Switching Scheme

5 November 2012

Report of Head of Environmental Services

PURPOSE OF REPORT

To inform members of collective energy purchasing and switching scheme proposals and provide information for progressing a scheme in Cherwell

This report is public

Recommendations

The Executive is recommended:

- (1) To take forward a collective switching scheme for domestic energy consumers in Cherwell and to collaborate with other interested Districts to achieve the best deal for residents
- (2) To further explore engaging iChoosr as an intermediary to negotiate with energy companies in order to achieve the best value for money
- (3) To consider the setting up of a working group to implement and deliver a collective switching project

Executive Summary

Introduction

- 1.1 Collective energy switching offers households the opportunity to sign up to a scheme that allows an intermediary to negotiate with energy companies on their behalf in order to secure the householder a discounted energy price. This is the result of the energy companies being influenced by the number of people engaged in the scheme.
- 1.2 The Eco Bicester Project team has been looking into the possibility of a collective switching and bulk energy purchasing scheme since November 2011. A report into the feasibility was presented to the Eco Bicester Strategic Delivery board in January and July 2012. It was agreed that a District Wide collective switching scheme should be considered formally by the Council.
- 1.3 The Cherwell Housing Strategy 2012-2017 Strategic Housing priority four

covers affordable warmth and sustainable energy. Sustainable energy is about delivering affordable energy with reduced environmental impacts in a financially viable way. A collective switching scheme will complement the Council's Housing Strategy and has the potential to deliver part of the above priority.

- 1.4 The transition to a low carbon economy as outlined in the Cherwell Low Carbon Environmental Strategy needs to be achieved whilst minimising costs to consumers, particularly those in poorer households. Collective switching and bulk buying of energy allows the purchase of green energy and has demonstrated that renewable energy suppliers can compete on price with other sources of energy.
- 1.5 A lot of households in rural Cherwell do not have access to mains gas, and have to rely for their heating on oil, delivered in tankers. It is more expensive and suffers more price fluctuations. The proposed project of collective energy switching does not cover domestic oil because the ORCC has for a couple of years been operating a bulk buying scheme for domestic oil.

Proposals

- 1.6 To agree to take forward the development of a collective switching scheme for domestic energy consumers in Cherwell through a working group
- 1.7 To collaborate with other interested Districts to achieve the best deal for residents as there is strength in numbers of householders signing up
- 1.8 To agree to work with iChoosr as an intermediary to negotiate with energy companies in order to achieve the best value for money

Conclusion

- 1.9 A collective energy purchasing and switching scheme will complement the Council's Housing Strategy by combating fuel poverty as well as the Council's Low Carbon Environmental Strategy by making the costs of green tariffs more compatible with other tariffs.
- 1.10 A collective energy purchasing and switching scheme across more Districts will make the scheme more successful as there is strength in numbers. Cherwell would like to open up the scheme when it is set up to other interested District within Oxfordshire but also in Northamptonshire.

Background Information

Fuel Poverty

- 2.1 Households are finding it increasingly difficult to pay for fuel. Retail energy prices have more than doubled in less than seven years. The Office for Gas and Electricity Markets (Ofgem) estimated the average household fuel bill was approximately £600 in 2004 which had risen to £1,310 in 2012. Low income households are affected more by increases in fuel prices because they spend a higher proportion of income on fuel. A household is classed as being in fuel poverty when it spends more than 10% of its disposable income on fuel. The Department of Energy and Climate Change (DECC) reported in 2009 that the proportion of households in fuel poverty in the UK had risen from 18% to 24% in two years. This equates to 5.7 million households.
- 2.2 At the spending review in 2010, the Government announced that it would commission an independent review to consider the current level and definition of fuel poverty. In March 2012, Professor John Hills, independent lead of the review, published his report, making several recommendations on how fuel poverty can be measured in the future. In February 2012 as the report was being written official statistics showed that UK carbon emissions rose for the first time in seven years primarily because of the increased use of gas to heat people's homes during the particularly cold winter months
- 2.3 In Cherwell it is estimated that the proportion of households in fuel poverty currently stands at 9.7% which is equal to approximately 5,500 households (Source: Annual Fuel Poverty Statistics 2010 published by the Department of Energy and Climate Change in 2012). Cherwell's Private Sector Housing Team uses its range of interventions (advice, support and enforcement) to tackle fuel poverty in the district. A collective switching scheme would complement the Council's Housing Strategy and has the potential to deliver part of the above priority.

Collective Switching and Bulk Purchase of Energy

- 2.4 In late September 2012 the Government announced a £5 million funding pot aimed at collective energy schemes for local authorities. The funding will be made available to authorities or third sector bodies which produce the most innovative methods of helping local residents or businesses to slash their energy bills – and forms part of the coalition's intensifying campaign to tackle soaring fuel bills. Speaking at the Liberal Democrat conference on 23 September, energy secretary Ed Davey said competition for the cash would encourage councils to establish schemes which reduced household energy bills. Elsewhere, Peterborough City Council announced its bulk-buying and energy switching programme would offer discounts for both households and small and medium-sized enterprises.
- 2.5 Households could make a difference to their energy bills by switching suppliers, however a study by Ofgem in 2008 found that 'confident consumers' who were proficient at sourcing better deals, were in the minority and that most customers lacked confidence and knowledge to switch. The concept of collective switching is a relatively new idea in the UK. This new approach is being championed by DECC and Consumer Focus, the statutory consumer champion, since an Energy Summit held in autumn 2011. A DECC working group produced a fact sheet for organisations and individuals

considering setting up a collective switching scheme.

- 2.6 One of the options set out in the fact sheet is for providers to work with a partner or outsourcing the scheme or parts of it. It advises taking legal advice on the implications on the individual proposals. The Government continues to work with the Local Government Association (LGA) to promote collective switching but this work is in its early stages. Collective Switching was an agenda item at the LGA Leadership Board October 17 – further outlining LGA involvement.
- 2.7 The consumer advice group, Which? ran a national internet campaign (“The Big Switch”) earlier in 2012. It enabled households to be part of a collective switch and negotiated a deal for 10% of the householders who signed up for the scheme with the other 90% offered a tariff by that was available as an individual customer regardless of whether they are part of the collective switching group or not. The Big Switch was the first large scale scheme offered by a UK organisation. Which? partnered with campaigning group 38 degrees to encourage people to register and spread the word. Other schemes include “The Peoples Power” (www.thepeoplespower.com), a not for profit Community Interest Company (CIC) which encourages individuals to sign up to its collective switching scheme to getting a better deal on energy and green energy tariffs.
- 2.8 Collective Switching and bulk buying of energy as a county wide initiative has been raised at the Oxfordshire Environment Group. There is considerable interest in neighbouring districts to set up a scheme. The Oxfordshire Environment Group reports through the Oxfordshire Environment and Waste Partnership.

Eco Bicester

- 2.9 The Eco Bicester Project team has been looking into the possibility of a collective switching and bulk purchasing scheme since November 2011. As part of the feasibility and research into a bulk purchasing scheme officers have investigated the concept and discussed proposals with Government departments (DECC), consumer groups (Consumer Focus and others) and other local authorities either running a scheme or considering a scheme (particularly South Lakeland District Council which is currently running a pilot scheme). Discussions have also taken place with an intermediary working with Local Government in Europe and England (iChoosr). The Council’s Procurement and Legal teams have been consulted throughout this process.
- 2.10 Local authorities are well positioned to reach a wide audience, for greater sign up, and, where necessary, are able to work in partnership to collaborate with other authorities. Cherwell District Council is able to facilitate such a project and strong links with the community means that it is uniquely positioned to enable this interaction. A strong benefit of the collective purchasing model is that it is available to, and supports, everyone.

iChoosr

- 2.11 iChoosr is a Belgian company operating an intermediary platform that has pioneered collective switching on the European mainland. Since its conception in 2008 its operations have extended to the Netherlands and it is currently working in the UK. In the Netherlands and Belgium more than half a million consumers registered for its collective switching programmes for gas,

electricity and heating oil.

- 2.12 The scheme in Belgium has also been used to purchase green energy and has demonstrated that renewable energy suppliers can compete on price with other sources of energy. This initiative to encourage low carbon energy was led by local politicians committed to reducing the environmental impact of energy supply and consumption.
- 2.13 iChoosr is a specialist in the area of collective switching and has experience of working with local government and energy suppliers. From an initial investigation there does not appear to be any other body offering the same service to local authorities

South Lakeland District Council – collective switching pilot

- 2.14 South Lakeland District Council (SLDC) in Cumbria has progressed a pilot scheme following Cabinet approval on 27th June 2012, to take forward collective purchasing. A summary of the project is provided below.
- 2.15 SLDC set up the project between May and July 2012 including the negotiation of a legal agreement with iChoosr, a communications plan and website and contact centre for the registration going live. SLDC is currently inviting interest from its residents in signing up to the scheme, “Power up your community”, launched on 1st August 2012 and including a series of road shows to promote the scheme. Since the launch, over 1,669 people have registered their interest in the scheme. Registration closed on 18th September 2012 and the auction for energy suppliers took place on 25th September 2012.
- 2.16 Following the auction residents who have signed up will be contacted to explain the new offer and the amount of savings they could make on their fuel bills. They will have approximately four weeks to choose whether or not to accept the offer following which the collective switch will take place. Once the switch has taken place a share of the switching fee will be received from the supplier and this will be used by SLDC to combat fuel poverty within the District.
- 2.17 A survey will take place amongst a sample of the residents that registered for the scheme to evaluate their experience and why they did or did not switch. This will be undertaken by SLDC and iChoosr. An internal SLDC review will take place to investigate the success of the scheme. The purpose of the review would also be to determine the future of the pilot project.

Key Issues for Consideration/Reasons for Decision and Options

- 3.1 This report is presented to provide information on a collective switching and bulk purchasing for Cherwell District Council residents with the intention of inviting other local authorities in the area to join in. The key issues are

whether the Council should support and promote a scheme for its residents, the benefits, the cost and the resource implications.

- 3.2 There is likely to be a positive impact economically for those residents who sign up to the scheme and receive a more competitive, lower price for their energy. The social impact will also be that those residents who switch will be indirectly supporting those residents in fuel poverty through the share of the switching fee received by the Council. After covering some of the promotional costs, this would assist in supporting Council initiatives and programmes such as Brighter Futures in Banbury which has provided support, advice and information to the elderly to help them alleviate the pressures of higher fuel costs. A collective switching scheme would contribute to meeting the objective of reducing fuel costs for residents.
- 3.3 The scheme can also have environmental benefits, if the auction was to include green energy suppliers. This would make a contribution to the corporate objective of being a cleaner, greener Cherwell and would be particularly appropriate in Eco Bicester.
- 3.4 Research has established that iChoosr has the knowledge and extensive experience in collective switching therefore it is recommended that iChoosr is considered as partners to operate the pilot scheme.

The following options have been identified. The approach in the recommendations is believed to be the best way forward

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| Option One | Progress with a scheme working with iChoosr |
| Option Two | Do not progress with a scheme |
| Option Three | Investigate other options |

Consultations

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| None | The issues in this report have not been the subject of consultation |
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Implications

Financial:	There are no financial implications arising directly from this report.
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Comments checked by Joanne Kay, Service Accountant
01295 221545

Legal:	The precise terms of a contract with iChoosr or any other provider will need legal consideration and any contract award will need to be made in compliance with Contract Procedure Rules.
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Comments checked by Kevin Lane, Head of Law and Governance – 0300 0030107

Risk Management: There are no risk implications arising directly from this report.

Comments checked by Gavin Halligan-Davis, Interim Corporate Performance Manager 01295221563

Wards Affected

All

Corporate Plan Themes

A District of Opportunity – work with partners to tackle disadvantage in the District
A Cleaner, Greener District – work with partners to improve the energy efficiency of homes and enable more residents to achieve more affordable energy bills
An Accessible, Value for Money Council

Lead Member

Councillor Nigel Morris,
Lead Member for Clean and Green

Document Information

Appendix No	Title
None	
Background Papers	
None	
Report Author	Ed Potter, Head of Environmental Services
Contact Information	01295 221902 Ed.potter@Cherwell-dc.gov.uk